

Auditing Procedures Report

Issued under P.A. 2 of 1908, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Grand Traverse Conservation District	County Grand Traverse
Fiscal Year End September 30, 2007	Opinion Date January 18, 2008	Date Audit Report Submitted to State March 27, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)			
Certified Public Accountant (Firm Name) J L Stephan Co, PC		Telephone Number 231-941-7600	
Street Address 862 E. Eighth St.		City Traverse City	State MI
Zip 49686			
Authorizing CPA Signature 	Printed Name Jerry L Stephan	License Number 1101010359	

**GRAND TRAVERSE
CONSERVATION DISTRICT**
Grand Traverse County, Michigan

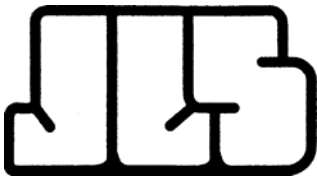
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

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FINANCIAL SECTION



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty K. Szasz-Busby, CPA
David Skibowski, Jr., CPA
Christopher H. Cornell, CPA

INDEPENDENT AUDITOR'S REPORT

To the District Board
Grand Traverse Conservation District
1222 Veterans Drive
Traverse City, MI 49684

We have audited the accompanying financial statements of the governmental activities of the Grand Traverse Conservation District as of and for the year ended September 30, 2007 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of September 30, 2007 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 9-13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

J. L. Stephan Co. P.C.

January 18, 2007

Grand Traverse Conservation District
Governmental Funds Balance Sheet/Statement of Net Assets
September 30, 2007

Exhibit A

	<i>General Fund</i>		
	<i>Modified</i>		<i>Statement</i>
	<i>Accrual Basis</i>	<i>Adjustments</i>	<i>of Net Assets</i>
Assets			
Cash & Equivalents			
Unreserved/Unrestricted	\$ 163,215	\$ -	\$ 163,215
Reserved/Restricted	84,444	-	84,444
Boardman River Endowment	14,131	-	14,131
Receivables			
Cities	5,674	-	5,674
Counties	1,790	-	1,790
Townships	3,831	-	3,831
State	29,820	-	29,820
Others	32,021	-	32,021
Construction In Progress	-	63,961	63,961
Capital Assets - net	-	21,953	21,953
Total Assets	\$ 334,926	\$ 85,914	\$ 420,840
Liabilities			
<i>Current Liabilities</i>			
Payroll Liabilities	\$ 1,575	\$ -	\$ 1,575
<i>Total Current Liabilities</i>	<i>1,575</i>	<i>-</i>	<i>1,575</i>
<i>Long-Term Liabilities</i>			
Accrued Vacation	27,934	-	27,934
<i>Total Long-Term Liabilities</i>	<i>27,934</i>	<i>-</i>	<i>27,934</i>
<i>Total Liabilities</i>	<i>29,509</i>	<i>-</i>	<i>29,509</i>
Fund Balance/Net Assets			
Fund Balance - Reserved	98,575	(98,575)	-
Fund Balance - Undesignated	206,842	(206,842)	-
<i>Total Fund Equity</i>	<i>305,417</i>	<i>(305,417)</i>	<i>-</i>
Total Liabilities and Fund Equity	\$ 334,926		
Net Assets			
Invested in Capital Assets - net of debt		85,914	85,914
Restricted			
Boardman River Endowment - Principal		10,000	10,000
Boardman River Endowment - Expendable		4,131	4,131
Other		84,444	84,444
Unrestricted		206,842	206,842
Total Net Assets		\$ 391,331	\$ 391,331

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District
*Statement of Governmental Fund Revenues, Expenditures
and Changes in Fund Balance/Statement of Activities
As of September 30, 2007*

Exhibit B

	<i>General Fund</i>		
	<i>Modified</i>		<i>Statement</i>
	<i>Accrual Basis</i>	<i>Adjustments</i>	<i>of Activities</i>
Revenues			
Federal Grants	\$ -	\$ -	\$ -
State Grants	130,850	-	130,850
County Appropriations	81,458	-	81,458
Local Contributions	115,033	-	115,033
Consulting/Labor Fees	10,455	-	10,455
Charges for Services	49,363	-	49,363
Seedling & Native Plant Sales	56,568	-	56,568
Special Events	8,647	-	8,647
Other Sales	9,432	-	9,432
Rents	-	-	-
Interest	12,163	-	12,163
Contributions & Donations	169,197	3,160	172,357
Refunds & Reimbursements	-	-	-
Other Revenues	9,770	(571)	9,199
Total Revenue	652,936	2,589	655,525
Expenditures			
MEAP Signs	8,171	-	8,171
Boardman River Sand Traps	144	-	144
Contingency	-	-	-
General Operations	98,304	-	98,304
Groundwater Program	67,368	-	67,368
Forestry Assist Program	56,877	-	56,877
Gypsy Moth Program	15,002	-	15,002
Parkland Program	72,317	-	72,317
Conservation Projects	44,450	-	44,450
Conservation Intern	5,804	-	5,804
Nature Center	56,550	(13,584)	42,966
Community Forestry Grant	63,020	-	63,020
Environmental Education	21,653	-	21,653
Boardman River Project	107,614	-	107,614
Boardman River Intern	18	-	18
Other Expenditures			
Depreciation	-	4,498	4,498
Total Expenditures	617,292	(9,086)	608,206
Excess Revenues Over (Under) Expenditures	35,644	11,675	47,319
Fund Balance - Beginning of Year	269,773	74,239	344,012
Fund Balance - End of Year	\$ 305,417	\$ 85,914	\$ 391,331

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District

*Notes to Financial Statements
For the Year Ended September 30, 2007*

Note 1 – Summary of Significant Accounting Policies

The financial statements of Grand Traverse Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Grand Traverse Conservation District is a conservation district created in accordance with Michigan State statutes. The District is governed by a volunteer District board whose members are elected for four year terms at the annual meeting in accordance with State statutes.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability.

The District operates as an autonomous agency completely separate from Grand Traverse County and the State of Michigan. On this basis, accordingly, the financial statements of the District have not been included in the financial statements of any other organizations.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Expenses are those that are clearly identifiable with a specific function or segment. Revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Grand Traverse Conservation District

Notes to Financial Statements
For the Year Ended September 30, 2007

Note 1 – Summary of Significant Accounting Policies – continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The local unit reports the following major governmental fund:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from federal and state distributions, tree sales and contributions from other local governmental units.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation has been provided on these fixed assets using the straight line method over their estimated useful lives.

Furniture Fixtures & Equipment	5-15 years
Vehicles	7-10 years

Restricted Assets – The Boardman River Endowment was established for the stewardship of the Boardman River. The revenues from the endowment may be used for this purpose. Other restricted assets are amounts from grants and donations yet to be used as specified by the grantor or donor.

Grand Traverse Conservation District

Notes to Financial Statements
For the Year Ended September 30, 2007

Note 1 – Summary of Significant Accounting Policies – continued

Compensated Absences (Vacation & Compensated Leave) – It is the District's policy to permit employees to accumulated earned but unused compensatory time and vacation pay benefits. The liability reflects amounts due employees for unused benefits upon separation of employment at year-end.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Stewardship, Compliance and Accountability

A. Budgets

The General Fund is under formal budgetary control. Budgets shown in the financial statements for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the District.

In the body of the combined financial statements, the District's budgeted expenditures for the budgetary funds have been shown on a program or activity basis, the level at which they were adopted.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall adopt an annual budget and not incur expenditures in excess of the amount appropriated.

During the year ended September 2007, the District had the following expenditures in excess of amounts appropriated.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Operations	\$ 97,651	98,304	(653)
Groundwater Program	65,081	67,368	(2,287)
Conservation Intern	5,540	5,804	(264)
Environmental Education	20,708	21,653	(945)

C. Concentration of Risk

The majority of the District's revenues come from grants coming through the State of Michigan Department of Agriculture and Department of Environmental Quality. Loss of these grants would be detrimental to the ability of the organization to continue as a going concern.

Grand Traverse Conservation District

Notes to Financial Statements
For the Year Ended September 30, 2007

Note 3 - Deposits with Financial Institutions

A. Michigan Compiled Laws, Section 129.91

This law authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements' bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit has designated one bank for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as outlined above.

The Local Governmental Unit's deposits and investment policy are in accordance with the statutory authority.

B. Types of Deposits and Investments

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and Equivalents	\$ 143,504
Investments	-
Restricted Assets	<u>118,286</u>
Total Deposits	<u>\$ 261,790</u>

The breakdown between deposits and investments is as follows:

	Governmental Activities
Time & Demand Deposits	\$ 261,740
Investments	-
Cash on Hand	<u>50</u>
Total	<u>\$ 261,790</u>

The bank balance of the primary government's deposits is \$282,399 of which \$82,399 is not covered by federal depository insurance.

Grand Traverse Conservation District

Notes to Financial Statements
For the Year Ended September 30, 2007

Note 4 - Changes in Capital Assets

Capital asset activity of the primary government for the current year is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital Assets Not Being Depreciated</i>				
Nature Center - Construction In Progress	\$ 50,376	\$ 13,585	\$ -	\$ 63,961
<i>Capital Assets Being Depreciated</i>				
Equipment	13,432	-	-	13,432
Furniture & Fixtures	15,000	-	-	15,000
Vehicles	<u>20,860</u>	<u>3,160</u>	<u>(1,000)</u>	<u>23,020</u>
	<u>49,292</u>	<u>3,160</u>	<u>(1,000)</u>	<u>51,452</u>
<i>Accumulated Depreciation</i>				
Equipment	(3,191)	(2,446)	-	(5,637)
Furniture & Fixtures	(15,000)	-	-	(15,000)
Vehicles	<u>(7,238)</u>	<u>(2,051)</u>	<u>428</u>	<u>(8,861)</u>
	<u>(25,429)</u>	<u>(4,497)</u>	<u>428</u>	<u>(29,498)</u>
<i>Net Capital Assets being Depreciated</i>	<u>23,863</u>	<u>(1,337)</u>	<u>(572)</u>	<u>21,954</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$ 74,239</u>	<u>\$ 12,248</u>	<u>\$ (572)</u>	<u>\$ 85,915</u>

Note 5 - Risk Management

The District carries insurance coverage through Michigan Insurance Company for liability, property, crime and employee dishonesty. The District also carries workers' compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 – Commitments

Grand Traverse Conservation District is in the process of planning and building a new nature center. The district is responsible for raising funds for and construction costs of the new center. The building will be constructed on land owned by the county. The District will lease the land for \$1 per year for 99 years. The District is responsible for construction costs. The District will be responsible for maintenance and improvements over the term of the lease/life of the Center/improvements. At completion, "ownership shall vest in the County upon installation".

REQUIRED SUPPLEMENTAL INFORMATION

Grand Traverse Conservation District

Schedule 1

*Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2007*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Beginning Fund Balance	\$ 269,773	\$ 269,773	\$ 269,773	\$ -
Revenues				
Federal Grants	-	-	-	-
State Grants	135,200	135,200	130,850	(4,350)
County Appropriations	-	-	81,458	81,458
Local Contributions	167,271	167,271	115,033	(52,238)
Consulting/labor Fees	-	-	10,455	10,455
Charges for Services	192,410	192,410	49,363	(143,047)
Seedling & Native Plant Sales	70,500	59,000	56,568	(2,432)
Special Events	-	-	8,647	8,647
Other Sales	-	-	9,432	9,432
Rents	-	-	-	-
Interest	4,350	4,350	12,163	7,813
Contributions & Donations	165,306	-	169,197	169,197
Refunds & Reimbursements	-	-	-	-
Other Revenues	25,161	201,967	9,770	(192,197)
Amount available	1,029,971	1,029,971	922,709	(107,262)
Expenditures				
<i>MEAP Signs</i>				
Printing & Publishing			8,150	
Other Expenditures			21	
	5,000	8,200	8,171	29
<i>Boardman River Sand Traps</i>	9,000	9,000	144	8,856
<i>Contingency</i>	5,000	1,480	-	1,480
<i>General Operations</i>				
Payroll Expenses			77,805	
Employee Benefits			6,113	
Office Expense & Utilities			6,221	
Contract Services			19,879	
Dues & Subscriptions			1,220	
Sale Material Costs			305	
Advertising & Promotion			229	
Printing & Publishing			8,160	
Training			1,862	

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District

Schedule 1

*Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2007*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
<i>General Operations - continued</i>				
Meetings & Travel			1,942	
Maintenance, Repairs & Rentals			5,435	
Insurances			2,567	
Event Expenses			-	
Other Expenditures			2,305	
Office Equipment & Furniture			1,286	
Admin. Expense Allocation			(37,025)	
	<u>97,651</u>	<u>97,651</u>	<u>98,304</u>	<u>(653)</u>
<i>Groundwater Program</i>				
Payroll Expenses			39,694	
Employee Benefits			6,945	
Office Expense & Utilities			1,816	
Admin. Expense Allocation			4,454	
Cost Share			8,625	
Training			234	
Meetings & Travel			1,824	
Maintenance, Repairs & Rentals			1,863	
Vehicle Maintenance			1,022	
Insurances			144	
Other Expenditures			435	
Office Equipment & Furniture			312	
	<u>65,038</u>	<u>65,081</u>	<u>67,368</u>	<u>(2,287)</u>
<i>Forestry Assist Program</i>				
Payroll Expenses			40,087	
Employee Benefits			5,172	
Office Expense & Utilities			1,936	
Admin. Expense Allocation			4,495	
Printing & Publishing			1	
Training			229	
Meetings & Travel			1,228	
Maintenance, Repairs & Rentals			1,863	
Vehicle Maintenance			1,329	
Insurances			246	
Other Expenditures			291	
	<u>58,245</u>	<u>58,247</u>	<u>56,877</u>	<u>1,370</u>
<i>Gypsy Moth Program</i>				
Payroll Expenses			7,114	
Employee Benefits			734	
Office Expense & Utilities			1,315	

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District

Schedule 1

*Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2007*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
<i>Gypsy Moth Program - continued</i>				
Admin. Expense Allocation			4,575	
Training			-	
Meetings & Travel			261	
Maintenance, Repairs & Rentals			964	
Vehicle Maintenance			13	
Insurances			26	
Other Expenditures			-	
	<u>15,071</u>	<u>15,071</u>	<u>15,002</u>	<u>69</u>
<i>Parkland Program</i>				
Payroll Expenses			48,870	
Employee Benefits			4,088	
Office Expense & Utilities			1,772	
Admin. Expense Allocation			4,923	
Printing & Publishing			287	
Training			304	
Meetings & Travel			1,947	
Maintenance, Repairs & Rentals			3,014	
Vehicle Maintenance			2,278	
Insurances			391	
Project Costs			2,055	
Other Expenditures			2,388	
	<u>74,363</u>	<u>74,334</u>	<u>72,317</u>	<u>2,017</u>
<i>Conservation Projects</i>				
Payroll Expenses			2,450	
Employee Benefits			-	
Contract Labor			757	
Sale Material Costs			854	
Project Costs			31,361	
Office Expense & Utilities			817	
Admin. Expense Allocation			4,464	
Meetings & Travel			543	
Maintenance, Repairs & Rentals			59	
Vehicle Maintenance			2,624	
Insurances			-	
Other Expenditures			521	
Vehicles & Equipment			-	
	<u>112,682</u>	<u>112,719</u>	<u>44,450</u>	<u>68,269</u>

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District

Schedule 1

*Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2007*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
<i>Conservation Intern</i>				
Payroll Expenses			5,325	
Employee Benefits			-	
Office Expense & Utilities			-	
Advertising & Promotion			235	
Meetings & Travel			151	
Insurances			19	
Other Expenditures			74	
	<u>5,540</u>	<u>5,540</u>	<u>5,804</u>	<u>(264)</u>
<i>Nature Center</i>				
Payroll Expenses			24,561	
Employee Benefits			1,696	
Office Expense & Utilities			3,194	
Consultant			10,025	
Printing & Publishing			2,748	
Meetings & Travel			183	
Other Expenditures			557	
Land Lease			1	
Construction Costs			13,585	
Office Equipment & Furniture			-	
	<u>87,719</u>	<u>87,719</u>	<u>56,550</u>	<u>31,169</u>
<i>Seedling Sale</i>				
Payroll Expenses			24,734	
Employee Benefits			1,662	
Office Expense & Utilities			1,362	
Printing & Publishing			2,219	
Advertising & Promotion			3,707	
Admin. Expense Allocation			4,147	
Sale Material Costs			24,317	
Shipping			872	
Other Expenditures			-	
	<u>65,226</u>	<u>65,263</u>	<u>63,020</u>	<u>2,243</u>
<i>Environmental Education</i>				
Payroll Expenses			14,229	
Employee Benefits			169	
Office Expense & Utilities			1,118	
Admin. Expense Allocation			4,056	
Training			250	
Meetings & Travel			387	
Maintenance, Repairs & Rentals			908	

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District

Schedule 1

*Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2007*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
<i>Environmental Education - continued</i>				
Insurances			51	
Event Costs			115	
Other Expenditures			370	
	<u>20,418</u>	<u>20,708</u>	<u>21,653</u>	<u>(945)</u>
<i>Boardman River Project</i>				
Payroll Expenses			59,496	
Employee Benefits			1,366	
Project Costs			18,652	
Office Expense & Utilities			2,103	
Printing & Publishing			2,029	
Advertising & Promotion			552	
Admin. Expense Allocation			5,910	
Training			175	
Meetings & Travel			602	
Maintenance, Repairs & Rentals			3,878	
Vehicle Maintenance			2,160	
Insurances			264	
Other Expenditures			427	
Endowment			10,000	
	<u>149,143</u>	<u>149,074</u>	<u>107,614</u>	<u>41,460</u>
<i>Boardman River Intern</i>				
Payroll Expenses			-	
Employee Benefits			-	
Office Expense & Utilities			-	
Meetings & Travel			-	
Insurances			18	
Other Expenditures			-	
	<u>-</u>	<u>20</u>	<u>18</u>	<u>2</u>
Total Charges to Appropriations	<u>770,096</u>	<u>770,107</u>	<u>617,292</u>	<u>152,815</u>
Budgetary fund Balance	<u>\$ 259,875</u>	<u>\$ 259,864</u>	<u>\$ 305,417</u>	<u>\$ 45,553</u>

See Accompanying Notes to Financial Statements

OTHER INFORMATION (UNAUDITED)

Grand Traverse Conservation District

Comments and Recommendations

In planning and performing our audit of the financial statements of the governmental activities of the Grand Traverse Conservation District as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

We recognize the District operates with limited personnel. This limitation may lead directly to a lack of proper segregation of duties and, in many cases, a lack of expertise in financial accounting and reporting regardless of accounting and operational policies.

However, we believe reasonable compensating controls have been implemented by the District to reduce these potential significant deficiencies to an inconsequential matter and the risk of material misstatement of the financial statements is assessed at a low level.

Beginning Balances

We noted some current year beginning balances did not match those of the prior year's ending audit balances, including all of the reserved equity accounts. We recognize the District implemented a new accounting software system in the current year and it appears there may have been confusion in the change over. We were able to correct the beginning balances through several adjusting entries. In the future, if an audit is performed, we recommend confirming the accounting records reflect the appropriate audited balances.

We offer the following comments and recommendations we don't consider to be significant deficiencies or a material weakness.

Grand Traverse Conservation District

Comments and Recommendations

Opening Comments

Your executive director maintained the records of the District in good condition. We recognize that your Board and Treasurer are all volunteers and we commend them for their efforts to manage the District and oversee the accounting system. As part of a continuing effort to enhance internal control and improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations for your consideration.

Journal Entries

We noted numerous journal entries to allocate expenses among various activities. These entries were recorded as an expense to an activity and revenue to general operations. This procedure causes an overstatement of both revenues and expenditures. However, the executive director presented reasonable support and explanations for the allocations. The allocations are made primarily to allocate various administrative expenses to the activities.

The procedures noted above aid the District with operations management and are not considered material deficiencies in its accounting system.

Budgeting and Year-End Allocations

The District does a reasonable job, procedurally, with its budgeting procedures. However, there are specific items that should be addressed.

We noted payroll taxes for the year were posted to a single activity. This, in itself, is not improper accounting. However, no budget was adopted for the activity nor was the balance allocated to other activities that did have budgeted appropriations at year-end. Management maintained detailed schedules of proposed tax allocated to aid in the budgeting process. The adjustment to allocate the taxes resulted in an increase in expenditures for many activities.

We also noted the Accrued Vacation Leave liability was not adjusted at year-end. The adjustment required an increase in expenditures for many activities.

When year-end adjustments and allocations were made, the District came in violation of the budgeting act. Both of the items noted above may be calculated after the last payroll of the fiscal year. Therefore, budget amendments could be proposed in a timely manner to alleviate the budget violations.

We noted budgeted amounts are presented to two decimal places. In general, this is more detail than required and very cumbersome to work with. Normally, budgets are adopted to the whole dollar and, in many cases, to the nearest \$100 amount. We recommend preparing the budget and amendments in whole dollar amounts.

The District amended its general appropriations act to reflect additional funding sources and expenditures not previously anticipated.

Grand Traverse Conservation District

Comments and Recommendations

Other Items

The District does not use the voucher system required and outlined in the *Michigan Conservation District Uniform Accounting Procedures Manual*. However, approval, coding and other pertinent information is written on the face of the original invoice. A check voucher is attached to the original invoice and filed. Although procedures used by the District are not in compliance with the Manual, we do not consider this a material deficiency in the accounting system.

Finally, we noted the executive director and administrative assistant maintain a journal entry book detailing each entry with support attached. They should be commended for their efforts.

Closing Comments

We are happy to discuss any of these recommendations and assist in their implementation. This report is intended solely for the information and use of the Grand Traverse Conservation District's management and others within the organization. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise regarding these statements or the conduct of our audit, please call upon us.